

TOWNSHIP OF BEAR LAKE  
Kalkaska County, Michigan  
40-1010  
GENERAL PURPOSE FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

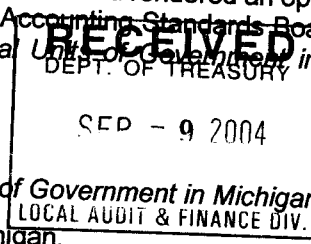
Year Ended March 31, 2004

## AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

<b>Local Government Type</b> <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Township of Bear Lake	<b>County</b> Kalkaska
<b>Audit Date</b> March 31, 2004	<b>Opinion Date</b> July 30, 2004	<b>Date Accountant Report Submitted to State:</b> July 30, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.



We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |  |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).   |

### We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
<b>Street Address</b> 512 N. Lincoln, Suite 100, P.O. Box 686			
<b>City</b> Bay City	<b>State</b> MI	<b>Zip</b> 48707	
<b>Accountant Signature</b> Campbell, Kusterer & Co., P.C.			

TOWNSHIP OF BEAR LAKE  
Kalkaska County, Michigan

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# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100  
P.O. BOX 686  
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040  
FAX (989) 894-5494

## INDEPENDENT AUDITOR'S REPORT

July 30, 2004

To the Township Board  
Township of Bear Lake  
Kalkaska County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Bear Lake, Kalkaska County, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Bear Lake's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Bear Lake, Kalkaska County, Michigan, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Bear Lake, Kalkaska County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF BEAR LAKE  
Kalkaska County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS

March 31, 2004

EXHIBIT A

<u>Assets</u>	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Agency</u>
Cash in bank	322 472 75	230 573 87	637 15
Taxes receivable	6 867 22	13 653 74	-
Due from other funds	637 15	-	-
Land and buildings	-	-	-
Equipment	-	-	-
Total Assets	<u>329 977 12</u>	<u>244 227 61</u>	<u>637 15</u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Due to other funds	-	-	637 15
Total liabilities	<u>-</u>	<u>-</u>	<u>637 15</u>
Fund equity:			
Investment in general fixed assets	-	-	-
Fund balances:			
Unreserved:			
Undesignated	329 977 12	244 227 61	-
Total fund equity	<u>329 977 12</u>	<u>244 227 61</u>	<u>-</u>
Total Liabilities and Fund Equity	<u>329 977 12</u>	<u>244 227 61</u>	<u>637 15</u>

The accompanying notes are an integral part of these financial statements.

<u>Account Group</u> <u>General</u> <u>Fixed Assets</u>	<u>Total</u> <u>(Memorandum</u> <u>Only)</u>
-	553 683 77
-	20 520 96
-	637 15
284 591 49	284 591 49
<u>356 624 48</u>	<u>356 624 48</u>
<u>641 215 97</u>	<u>1 216 057 85</u>
-	637 15
-	637 15
641 215 97	641 215 97
-	574 204 73
<u>641 215 97</u>	<u>1 215 420 70</u>
<u>641 215 97</u>	<u>1 216 057 85</u>

TOWNSHIP OF BEAR LAKE  
Kalkaska County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

EXHIBIT B

Year Ended March 31, 2004

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Revenues:			
Property taxes	42 832 85	108 446 19	151 279 04
Special assessments	6 738 95	-	6 738 95
Other taxes – swamp	19 224 45	-	19 224 45
Charges for services – PTAF	16 243 92	-	16 243 92
State revenue sharing	52 608 00	-	52 608 00
Interest	5 157 64	1 884 44	7 042 08
Miscellaneous	10 463 97	7 018 47	17 482 44
Total revenues	<u>153 269 78</u>	<u>117 349 10</u>	<u>270 618 88</u>
Expenditures:			
Legislative:			
Township Board	23 871 70	-	23 871 70
General government:			
Supervisor	14 275 56	-	14 275 56
Elections	152 82	-	152 82
Assessor	18 947 11	-	18 947 11
Clerk	13 687 88	-	13 687 88
Board of Review	706 19	-	706 19
Treasurer	24 312 24	-	24 312 24
Building and grounds	34 786 75	-	34 786 75
Public safety:			
Fire protection	-	31 689 03	31 689 03
Rescue	-	13 864 01	13 864 01
Gypsy moth	-	55 557 42	55 557 42
Public works:			
Highways and streets	3 931 41	-	3 931 41
Recreation:			
Recreation	2 766 40	-	2 766 40
Capital outlay	4 488 80	901 00	5 389 80
Total expenditures	<u>141 926 86</u>	<u>102 011 46</u>	<u>243 938 32</u>
Excess of revenues over expenditures	11 342 92	15 337 64	26 680 56
Fund balances, April 1	<u>318 634 20</u>	<u>228 889 97</u>	<u>547 524 17</u>
Fund Balances, March 31	<u>329 977 12</u>	<u>244 227 61</u>	<u>574 204 73</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BEAR LAKE  
Kalkaska County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –  
GENERAL AND SPECIAL REVENUE FUNDS  
Year Ended March 31, 2004

EXHIBIT C  
Page 1

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Property taxes	41 100 00	42 832 85	1 732 85
Special assessments	2 600 00	6 738 95	4 138 95
Other taxes – swamp	19 224 00	19 224 45	45
Charges for services – PTAF	16 000 00	16 243 92	243 92
State revenue sharing	54 000 00	52 608 00	(1 392 00)
Interest	7 000 00	5 157 64	(1 842 36)
Miscellaneous	15 155 00	10 463 97	(4 691 03)
Total revenues	<u>155 079 00</u>	<u>153 269 78</u>	<u>(1 809 22)</u>
Expenditures:			
Legislative:			
Township Board	26 790 00	23 871 70	(2 918 30)
General government:			
Supervisor	15 510 00	14 275 56	(1 234 44)
Elections	3 500 00	152 82	(3 347 18)
Assessor	20 000 00	18 947 11	(1 052 89)
Clerk	16 400 00	13 687 88	(2 712 12)
Board of Review	1 200 00	706 19	(493 81)
Treasurer	24 950 00	24 312 24	(637 76)
Building and grounds	37 800 00	34 786 75	(3 013 25)
Public safety:			
Fire protection	-	-	-
Rescue	-	-	-
Gypsy moth	-	-	-
Public works:			
Highways and streets	4 500 00	3 931 41	(568 59)
Recreation:			
Recreation	3 000 00	2 766 40	(233 60)
Other:			
Contingency	2 000 00	-	(2 000 00)
Capital outlay	7 000 00	4 488 80	(2 511 20)
Total expenditures	<u>162 650 00</u>	<u>141 926 86</u>	<u>(20 723 14)</u>

The accompanying notes are an integral part of these financial statements.



Special Revenue Funds

<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
115 399 00	108 446 19	(6 952 81)
-	-	-
-	-	-
-	-	-
978 00	1 884 44	906 44
<u>2 600 00</u>	<u>7 018 47</u>	<u>4 418 47</u>
<u>118 977 00</u>	<u>117 349 10</u>	<u>(1 627 90)</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
42 382 00	31 689 03	(10 692 97)
15 595 00	13 864 01	(1 730 99)
56 000 00	55 557 42	(442 58)
-	-	-
-	-	-
-	-	-
<u>5 000 00</u>	<u>901 00</u>	<u>(4 099 00)</u>
<u>118 977 00</u>	<u>102 011 46</u>	<u>(16 965 54)</u>

TOWNSHIP OF BEAR LAKE  
Kalkaska County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –  
GENERAL AND SPECIAL REVENUE FUNDS  
Year Ended March 31, 2004

EXHIBIT C  
Page 2

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Excess (deficiency) of revenues over expenditures	(7 571 00)	11 342 92	18 913 92
Fund balances, April 1	<u>7 571 00</u>	<u>318 634 20</u>	<u>311 063 20</u>
Fund Balances, March 31	<u>-</u>	<u>329 977 12</u>	<u>329 977 12</u>

The accompanying notes are an integral part of these financial statements.

<u>Special Revenue Funds</u>		
<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
-	15 337 64	15 337 64
<u>-</u>	<u>228 889 97</u>	<u>228 889 97</u>
<u>-</u>	<u>244 227 61</u>	<u>244 227 61</u>

TOWNSHIP OF BEAR LAKE  
Kalkaska County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Bear Lake, Kalkaska County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and account groups that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Bear Lake. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

Governmental Fund

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenue requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Account Group

TOWNSHIP OF BEAR LAKE  
Kalkaska County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

General Fixed Assets Account Group

This account group presents the fixed assets of the local unit utilized in its general operations.

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14, with the final collection date of February 28 before they are added to the county tax rolls. The Township 2003 tax roll millage rate was 2.2849 mills and the taxable value was \$46,156,316.00.

TOWNSHIP OF BEAR LAKE  
Kalkaska County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Fixed Assets

Purchases of fixed assets for all funds are recorded as expenditures in their respective funds at the time of purchase. They are also recorded at cost in the General Fixed Assets Group of Accounts as required by generally accepted accounting principles.

Investments

Investments are stated at market.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements.

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.

TOWNSHIP OF BEAR LAKE  
Kalkaska County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Postemployment Benefits

The Township provides no postemployment benefits to past employees.

Note 2 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated three banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

TOWNSHIP OF BEAR LAKE  
Kalkaska County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 2 – Deposits and Investments (continued)

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>553 683 77</u>
Amounts in the bank balances are without considering deposits in transit or uncleared checks.	

	<u>Bank Balances</u>
Insured (FDIC)	245 728 83
Uninsured and Uncollateralized	<u>310 882 68</u>
Total Deposits	<u>556 611 51</u>

The Township of Bear Lake did not have any investments as of March 31, 2004.

Note 3 – Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/04</u>
Land and buildings	281 866 49	2 725 00	-	284 591 49
Equipment	<u>353 959 68</u>	<u>2 664 80</u>	-	<u>356 624 48</u>
Totals	<u>635 826 17</u>	<u>5 389 08</u>	-	<u>641 215 97</u>



TOWNSHIP OF BEAR LAKE  
Kalkaska County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 4 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>637 15</u>	Current Tax Collection	<u>637 15</u>
Total	<u>637 15</u>	Total	<u>637 15</u>

Note 5 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 6 – Pension Plan

The Township does not have a pension plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

The Township of Bear Lake does not issue building permits. Building permits are issued by the County of Kalkaska.

Note 9 – Total Columns on Combined Statements--Overview

The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

TOWNSHIP OF BEAR LAKE  
Kalkaska County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year Ended March 31, 2004

EXHIBIT D  
Page 1

Township Board:	
Salaries and wages	5 560 00
Payroll taxes	467 35
Hospital subsidy	440 00
Legal	1 850 83
Printing and publishing	1 663 39
Dues	771 95
Contracted services	12 314 18
Miscellaneous	804 00
	<u>23 871 70</u>
Supervisor:	
Salary	13 120 00
Payroll taxes	1 024 88
Mileage	130 68
	<u>14 275 56</u>
Elections:	
Salaries	85 50
Miscellaneous	67 32
	<u>152 82</u>
Assessor:	
Contracted services	17 710 00
Supplies	44 50
Telephone	1 192 61
	<u>18 947 11</u>
Clerk:	
Salary	12 000 00
Deputy wages	100 00
Payroll taxes	900 78
Supplies	172 30
Mileage	514 80
	<u>13 687 88</u>
Board of Review:	
Salaries	663 75
Miscellaneous	42 44
	<u>706 19</u>
Treasurer:	
Salary	13 600 00
Deputy wages	238 50
Payroll taxes	1 057 02
Supplies	4 834 25
Mileage	680 40
Miscellaneous	3 902 07
	<u>24 312 24</u>

TOWNSHIP OF BEAR LAKE  
Kalkaska County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year Ended March 31, 2004

EXHIBIT D  
Page 2

Building and grounds:	
Supplies	2 518 65
Contracted services	12 114 62
Insurance	7 856 00
Repairs and maintenance	4 813 88
Utilities	7 483 60
	<u>34 786 75</u>
Highways and streets:	
Repairs and maintenance	<u>3 931 41</u>
Recreation	<u>2 766 40</u>
Capital outlay	<u>4 488 80</u>
Total Expenditures	<u>141 926 86</u>

TOWNSHIP OF BEAR LAKE  
Kalkaska County, Michigan

COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS  
March 31, 2004

EXHIBIT E

<u>Assets</u>	<u>Rescue</u>	<u>Fire</u>	<u>Gypsy Moth</u>	<u>Total</u>
Cash in bank	32 423 77	109 431 67	88 718 43	230 573 87
Taxes receivable	<u>2 032 82</u>	<u>5 810 46</u>	<u>5 810 46</u>	<u>13 653 74</u>
Total Assets	<u>34 456 59</u>	<u>115 242 13</u>	<u>94 528 89</u>	<u>244 227 61</u>
<u>Liabilities and Fund Balances</u>				
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Unreserved:				
Undesignated	<u>34 456 59</u>	<u>115 242 13</u>	<u>94 528 89</u>	<u>244 227 61</u>
Total Liabilities and Fund Balances	<u>34 456 59</u>	<u>115 242 13</u>	<u>94 528 89</u>	<u>244 227 61</u>

TOWNSHIP OF BEAR LAKE  
Kalkaska County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - ALL SPECIAL REVENUE FUNDS

EXHIBIT F

Year Ended March 31, 2004

	<u>Rescue</u>	<u>Fire</u>	<u>Gypsy Moth</u>	<u>Total</u>
Revenues:				
Property taxes	16 148 85	46 148 67	46 148 67	108 446 19
Interest	144 67	868 86	870 91	1 884 44
Miscellaneous	<u>500 00</u>	<u>6 518 47</u>	<u>-</u>	<u>7 018 47</u>
Total revenues	<u>16 793 52</u>	<u>53 536 00</u>	<u>47 019 58</u>	<u>117 349 10</u>
Expenditures:				
Public safety:				
Fire protection:				
Wages	-	7 200 00	-	7 200 00
Payroll taxes	-	535 50	-	535 50
Supplies	-	3 242 48	-	3 242 48
Contracted services	-	3 504 00	-	3 504 00
Insurance	-	4 855 50	-	4 855 50
Utilities	-	2 115 27	-	2 115 27
Repairs and maintenance	-	8 537 28	-	8 537 28
Miscellaneous	-	1 699 00	-	1 699 00
Rescue:				
Insurance	3 814 00	-	-	3 814 00
Supplies	2 978 79	-	-	2 978 79
Contracted services	3 079 30	-	-	3 079 30
Utilities	1 753 16	-	-	1 753 16
Repairs and maintenance	1 558 76	-	-	1 558 76
Miscellaneous	680 00	-	-	680 00
Gypsy moth:				
Contracted services	-	-	54 001 24	54 001 24
Miscellaneous	-	-	1 556 18	1 556 18
Capital outlay	<u>-</u>	<u>901 00</u>	<u>-</u>	<u>901 00</u>
Total expenditures	<u>13 864 01</u>	<u>32 590 03</u>	<u>55 557 42</u>	<u>102 011 46</u>
Excess (deficiency) of revenues over expenditures	2 929 51	20 945 97	(8 537 84)	15 337 64
Fund balances, April 1	<u>31 527 08</u>	<u>94 296 16</u>	<u>103 066 73</u>	<u>228 889 97</u>
Fund Balances, March 31	<u>34 456 59</u>	<u>115 242 13</u>	<u>94 528 89</u>	<u>244 227 61</u>

TOWNSHIP OF BEAR LAKE  
Kalkaska County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year Ended March 31, 2004

EXHIBIT G

<u>CURRENT TAX COLLECTION FUND</u>	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/04</u>
<u>Assets</u>				
Cash in bank	1 103 95	1 507 938 33	1 508 405 13	637 15
Total Assets	<u>1 103 95</u>	<u>1 507 938 33</u>	<u>1 508 405 13</u>	<u>637 15</u>
<u>Liabilities</u>				
Due to other funds	1 103 95	154 719 49	155 186 29	637 15
Due to others	-	1 353 218 84	1 353 218 84	-
Total Liabilities	<u>1 103 95</u>	<u>1 507 938 33</u>	<u>1 508 405 13</u>	<u>637 15</u>

TOWNSHIP OF BEAR LAKE  
Kalkaska County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
Year Ended March 31, 2004

EXHIBIT H

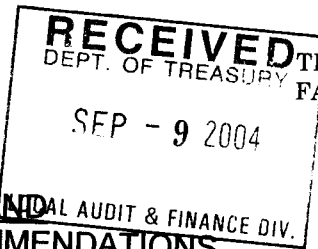
Cash in bank – beginning of year	<u>1 103 95</u>
Receipts:	
Taxes	
Property tax administration fees	1 492 721 11
Interest	14 575 57
Total receipts	<u>641 65</u>
	<u>1 507 938 33</u>
Total beginning balance and cash receipts	<u>1 509 042 28</u>
Disbursements:	
Township General Fund	
Township Fire Fund	60 376 23
Township Rescue Fund	40 353 21
Township Gypsy Moth Fund	14 118 64
Kalkaska Public Transit	40 338 21
Kalkaska Public Schools	9 941 59
Crawford Ausable School District	507 965 03
Kirtland Community College	139 727 30
COOR Intermediate School District	21 398 41
TBA Intermediate School District	8 403 05
Kalkaska County	104 505 29
Kalkaska Memorial Health Center	489 077 37
Refunds	68 615 17
Total disbursements	<u>3 585 63</u>
	<u>1 508 405 13</u>
Cash in Bank – End of Year	<u>637 15</u>

# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100  
P.O. BOX 686  
BAY CITY, MICHIGAN 48707



## AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

July 30, 2004

To the Township Board  
Township of Bear Lake  
Kalkaska County, Michigan

We have audited the financial statements of the Township of Bear Lake, for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Bear Lake in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.



To the Township Board  
Township of Bear Lake  
Kalkaska County, Michigan

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

#### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

#### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

To the Township Board  
Township of Bear Lake  
Kalkaska County, Michigan

### **GASB 34 IMPLEMENTATION**

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Township of Bear Lake will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions should not change significantly, however, the Township will be required to maintain additional records for the year end adjustments to the final presentation format.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2004.

#### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.

Certified Public Accountants